

Presentation to the Senate Education Subcommittee – June 6, 2011

My name is Brent Siegrist and I am the Executive Director for the nine Area Education Agencies in Iowa. We appreciate the opportunity to present the committee with some of our concerns that will face the AEA system if some of the proposed budget cuts occur during the closing of this legislative session. My time is brief, so I would like to highlight several areas of deep concern.

As you know, the AEAs are funded with a combination of Federal money; state money, and property taxes. The AEA system has no ability to levy taxes and is dependent upon state and federal funding to deliver the very necessary services to the children and educators of Iowa. We depend on allowable growth for any funding increases that the AEAs might receive. The proposed 0% allowable growth would obviously cause fiscal difficulties for the AEA system. With 8 of the 9 AEAs experiencing declining student enrollment, 0% allowable growth will lead to reduction in staff (including administrators) and reduced services for the next school year. The combination of the federal stimulus money running out and 0% allowable growth will result in approximately 76.5 FTE being removed from the AEA system for next year. Those educators will be reduced by a combination of retirements, leaving positions open and Iowans being laid off. In addition to the loss of staff, the services provided to the students and educators of Iowa will also be impacted. With staff and administrators being reduced, the services offered by the AEAs will also be reduced. Those services (many of them federally mandated) will not be eliminated, but they will clearly be reduced. What that means, for example, is that if a student is currently receiving a service (speech therapy, physical therapy, etc.) three times a week, that might be reduced to once or twice a week because of a lack of professional staff. If an autistic preschool child is currently having in home visits three times a week those visits might be cut to 1-2 a week. This situation will certainly hamper efforts to have that child come to the school building when they are old enough as prepared to succeed as would otherwise be possible.

There are two proposals currently being considered as the legislative session comes to a close. One calls for the AEA system to take a \$10 million budget cut; the other calls for a \$20 million budget cut. A cut of that magnitude would be very difficult for the AEA system to absorb. We estimate that if the AEA system is cut \$10 million for FY 11-12, we will cut an approximate additional 59.5 FTEs. That would be in addition to the expected reduction of 76.5 FTEs referenced above ( $76.5 + 59.5 = 136$  FTE reduction). We would again try and make those reductions with retirements and open positions, but clearly there would be many people laid off. If the reduction to the AEA system is \$20 million, then we would anticipate an additional 102 FTEs to be reduced. Along with the additional staff reductions would come more reduction in services. Again, Special Education services are mandated by the Federal government and those services account for about 80% of AEA services being provided. Even with the large budget reductions being considered, services would have to be provided, but certainly at a reduced rate resulting in our most vulnerable students falling further behind.

It appears that the best case scenario for FY 11-12 is 0% allowable growth and a \$10 million budget cut to the AEA system. With no ability to levy taxes or tuitions like all other educational bodies, how would the AEA system cover the cut beyond the staff reductions listed above? As you know, the AEAs have cash reserves as any prudent organization does. With no ability to raise money, AEA boards have built their cash reserves in case of unexpected expenses like the floods in the Cedar Rapids area or for infrastructure needs, etc. If the AEA system receives a budget cut of \$10 - \$20 million, we will have no choice but to use our cash reserves to get through FY 11-12. With employee contracts negotiated and signed, the AEAs would have to use reserves because of the inability to lay people off this late in the process. So for FY 11-12, the AEAs would get through the year using cash reserves and the reduction of staff and services as outlined above. However, reserves are onetime money so the real impact of the budget cut would really hit in FY 12-13. We would use the reserves to get through the first year but then the second year we would have large additional layoffs and services would be severely impacted; again to the detriment of students, parents and educators in Iowa. The irony of this situation is that the many of the spending reductions and cuts are being made in an attempt to remove onetime money from the state budget. In order to do that, the AEA system might be cut \$20 million forcing us to use onetime money to absorb the cut. It would seem to make good sense that if the state doesn't want to rely on one time money that it shouldn't force another governmental entity to do just that.

One other point about the AEA cash reserves. You may have seen information that shows that the AEA system has cash reserves totalling about \$57 million (about a 12% reserve). What that figure doesn't tell you is that about \$17 million of that total was already encumbered and dedicated to be spent on various projects. That would bring our reserves down to about 9.2%, which is slightly lower than the standard the State of Iowa sets for itself of 10%. In addition, that figure also does not explain that an additional \$15 million of that "total figure" is ARRA money that will be expended and gone in the next several months. That means that the actual cash reserve figure is closer to \$26 million of one time available money. That would be a cash reserve of between 5-6% and hardly excessive and extremely prudent in terms of fiscal management. Yet many members want to force the AEAs to spend this onetime money to help them balance the state budget.

While there are many other comments and concerns I would like to address, I will mention one more...Maintenance of Effort (MOE). The Federal government says that in the area of Special Education that states using Federal IDEA Part B money must expend at least the same amount of money on Special Education services from one year to the next. A cut of this magnitude will certainly throw MOE into the conversation with the Federal government. If Iowa doesn't meet MOE there can be monetary consequences to the state from Washington D.C. Waivers are sometimes granted by the Federal government for MOE. A waiver has been requested by the Iowa DE but has not yet been granted. Several states that received waivers last year have been denied this year. If a waiver is not granted then the funding reductions being considered would certainly put Iowa in possible violation of MOE. The AEA system asked the DE for advice on this area and the following is part of what we received. "The risk of not meeting MOE to the

AEA system lie in flat funding, funding reductions in multiple years, or the onetime funding cut reducing total fund balances below the 8-10% threshold range. Any one of these items or a combination of these items would most likely result in at least some of the AEAs not meeting MOE beginning in FY 12 and then a greater number in future years.” As you can see, 0% allowable growth coupled with a \$10 million cut will certainly lead to Iowa being in violation of MOE unless a waiver is granted. That possibility needs to be taken into account.

Just a couple of final thoughts.

1. Over the last decade, the AEAs have voluntarily reduced from 15 agencies down to nine. In doing so, we reduced administration by 29%, all in an effort to maintain services while facing various budget reductions over that time frame. We can no longer react to cuts without reducing staff and services.
2. In the current fiscal year, the AEAs received about \$120 million in state funding. A \$20 million budget cut would be about 16% of state funding received.
3. If there are expectations that we use other parts of the budget to maintain special education then you are severely impacting those services most requested by schools such as Iowa Core assistance, staff development, online learning, technology and media services and materials. Since those are the services most utilized by private schools in Iowa, they would see a large reduction in services available to them from the AEA system.

Thank you for the opportunity to share this information with the committee.